




Inter-Departmental Communication

DATE: August 11, 1998

TO: Chairman Jim Glover and Members of the Special Council Committee – Radio System

FROM: Mark Funkhouser, City Auditor 

SUBJECT: Review of Public Safety Radio Documents

Based on our review of the 3,739 documents related to the public safety radio system provided by the Law Department, we have reached the following conclusions:

Staff Communications with Council

We found evidence of little communication with the City Council during the design and construction phases of the radio system. City Council involvement increased significantly in 1996 to 1998 when the city realized that the radio system did not perform as expected.

Technical projects of a significant magnitude that require considerable city investment and have a crucial impact on the city's operations have benefited in the past and could benefit in the future from council oversight.

The Award of the SFA Contract

Price was the determining factor in the award of the SFA contract. The only written documents related to this contract award were price and time evaluations. No rankings or comparisons of the professional qualifications of the firms were located. Because engineering expertise and advice were critical to the success of the radio project, the selection process should have identified the most qualified firm based on measures of professional qualifications and performance and then a fair and reasonable price should have been negotiated.

Careful consideration needs to be taken in identifying appropriate procedures for awarding hybrid contracts. When contracting for engineering expertise, a comparative evaluation of the bidders' professional reputation, experience, technical competence, capacity/capability to perform, past performance, and proximity to project location should be the key factors, not price.

The Award of the Ericsson Contract

The Ericsson contract was awarded as a purchasing contract. Price was the determining factor in a unique two-step evaluation procedure. If the minimum requirements for technical acceptability and firm capacity were met, the firms were considered equally qualified and the only factor in the final evaluation was price. All firms were considered to be technically qualified. Testimony from both Motorola and Ericsson suggested that the award of radio system contracts is typically based on weighted evaluations that include firm qualifications, experience, technical capabilities and cost.

The selection of the firm to supply the city's radio communications needs should have included either a determination of the most qualified firm with price then negotiated or a weighted evaluation process that included criteria addressing the firms' qualifications, experience, technical capabilities, and cost.

Ericsson Contract Document

The contract with Ericsson is composed of the city's Invitation For Bid, five addenda, instructions and conditions, and the technical and price proposals submitted by Ericsson. No single contract document exists and Ericsson drafted major portions of the contract.

The city should draft its own contracts as clear and concise documents with performance criteria clearly defined and final contract provisions specifically stated.

Payments

The city paid Ericsson approximately 10 percent of the original contract price within 80 days of entering into this contract; paid an additional 80 percent of the price of equipment or services when equipment was accepted or installed; and withheld only the final 10 percent payment for final system acceptance. The city began ordering radios from Ericsson in September 1992, months before the originally scheduled completion date (January 1994) and years before the system was operational.

The amount of money held back in a contract should be established at a level to encourage project completion. Equipment should not be purchased before it is needed.

Budget Constraints

Between 1990 and 1993 city, fire and police staffs expressed concerns about whether adequate funds would be available for the radio system. The competitive bid process used to procure the radio system was anticipated to save between 5 to 10 percent on the cost of the system over sole-source procurement. So while budget constraints did not directly cause radio system problems, budget constraints may have influenced decisions on the process used to award the SFA and Ericsson contracts.

In the future, if unforeseen overruns occur or additional projects are planned, staff should present this information to the City Council in an effort to seek additional funding for needed projects, obtain additional input on priorities and changes to projects, or to simply notify elected officials of difficulties being experienced.

Key Documents

We believe we have now been able to identify copies of the documents that make up the SFA and Ericsson contracts from the files collected by the Law Department; however, not all documents were signed (Ericsson Addendum 2) and properly dated (SFA contract). A copy of the SFA contract was not attached to the fact sheet accompanying the ordinance on file with the City Clerk's Office as required by AR 3-37. When we attempted to gather a complete Ericsson contract from the Purchasing Department in 1995 we were unsuccessful. No central or complete file of city contracts is currently maintained.

Procedures should be developed and followed which provide a systematic method of maintaining a complete set of all contract documents.

CC: Robert L. Collins, City Manager